

**SILVER CREEK TOWNSHIP
CASS COUNTY, MICHIGAN**

FINANCIAL REPORT

YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Silver Creek Township	County Cass
Audit Date 3/31/06	Opinion Date 7/6/06	Date Accountant Report Submitted to State: 11/9/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Charles C. Ross, C.P.A., P.C.

Street Address

103 Pennsylvania Avenue

City

Dowagiac

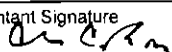
State

MI

ZIP

49047

Accountant Signature



Date

11/9/06

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CASS COUNTY, MICHIGAN
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**SILVER CREEK TOWNSHIP
CASS COUNTY, MICHIGAN**

TOWNSHIP BOARD

Bill Saunders

Supervisor

Walter Lehmann

Clerk

Maureen Kuriata

Treasurer

Joe Moore

Trustee

Doug Swisher

Trustee

Charles C. Ross, C.P.A., P.C.

103 Pennsylvania Avenue

P.O. Box 58

Dowagiac, Michigan 49047

(269) 782-8621

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Silver Creek Township
Cass County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Silver Creek Township as of and for the year ended March 31, 2006, which collectively comprise the Townships basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Township Board of Silver Creek Township. My responsibility is to express an opinion on these financial statements based on my audit.

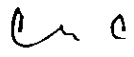
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Silver Creek Township has implemented a new financial reporting model, as required by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis information on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial statements listed as supplemental material in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Silver Creek Township. The information has been subjected to the audit procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

 C. C. Ross, C.P.A., P.C.

Dowagiac, Michigan
July 6, 2006

SILVER CREEK TOWNSHIP

Management's Discussion and Analysis

The Management's Discussion and Analysis report of Silver Creek Township covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$1,566,523 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$845,704 from governmental activities. Governmental activities had a \$81,401 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Silver Creek Township's basic financial statements. Silver Creek Township's basic financial statements include the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to the basic financial statements themselves, this report also contains other supplementary information.

1. Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide the reader with a broad overview of Silver Creek Township's finances, in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of Silver Creek Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Silver Creek Township is improving or deteriorating.
- The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as accrued liabilities.

Both of these Government Wide Financial Statements distinguish Township functions, which are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges for services. The governmental activities of Silver Creek Township include general government, public safety, highways and streets, sanitation, health and welfare, recreation and culture, community and economic development and debt service. The business-type activities of Silver Creek Township include sewer operations.

SILVER CREEK TOWNSHIP

Management's Discussion and Analysis

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Silver Creek Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Silver Creek Township can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, the reader may better understand the long-term impact of the Township's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

Proprietary Funds

Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. Silver Creek Township uses an enterprise fund to account for its sewer operations.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support Silver Creek Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in governmental and business-type activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the most of the Township's governmental services. The most significant are the funding of public safety and general government.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The investment in capital assets remained approximately the same during the year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

SILVER CREEK TOWNSHIP

Management's Discussion and Analysis

The future of state revenue sharing is very uncertain and it represents a significant portion of our income. We continue to grow in taxable values.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk, Mr. Walter F. Lehmann, P.O. Box 464, Dowagiac, MI 49047.

SILVER CREEK TOWNSHIP

Statement of Net Assets
March 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,231,976	\$ 543,855	\$ 1,775,831
Investments	-	-	-
Receivables			
Taxes	34,512	-	34,512
Due from other funds	10,472	-	10,472
Due from other governments	17,309	7,862	25,171
Special assessments	-	88,259	88,259
Other	48,512	19,271	67,783
Prepaid expenses	-	-	-
Capital assets - net	251,452	1,572,413	1,823,865
TOTAL ASSETS	1,594,233	2,231,660	3,825,893
LIABILITIES			
Accounts payable	13,022	644	13,666
Due to other funds	10,150	-	10,150
Due to other governments	-	-	-
Deferred revenue	4,538	-	4,538
Contract payable - current	-	-	-
Contract payable - non-current	-	-	-
Accrued interest	-	-	-
TOTAL LIABILITIES	27,710	644	28,354
NET ASSETS			
Invested in capital assets	251,452	1,572,413	1,823,865
Unrestricted	1,315,071	658,603	1,973,674
TOTAL NET ASSETS	\$ 1,566,523	\$ 2,231,016	\$ 3,797,539

The accompanying notes are an integral part of these financial statements.

SILVER CREEK TOWNSHIP

**Statement of Activities
For the Year Ended March 31, 2006**

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government:				
Governmental Activities				
General government	\$ 259,924	\$ -	\$ -	\$ -
Public safety	312,567	62,371	1,925	-
Public works	181,736	-	-	-
Planning and zoning	10,076	-	-	-
Total Governmental Activities	<u>764,303</u>	<u>62,371</u>	<u>1,925</u>	<u>-</u>
Business-type Activities				
Sewer Fund	<u>161,485</u>	<u>103,878</u>		
Total Business-type Activities	<u>161,485</u>	<u>103,878</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 925,788</u>	<u>\$ 166,249</u>	<u>\$ 1,925</u>	<u>\$ -</u>

General revenues:

Property taxes
State grants
Franchise fees
Investment income
Other

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and
Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (259,924)	\$ -	\$ (259,924)
(248,271)	-	(248,271)
(181,736)	-	(181,736)
(10,076)	-	(10,076)
(700,007)	-	(700,007)
-	(57,607)	(57,607)
-	(57,607)	(57,607)
(700,007)	(57,607)	(757,614)
437,966	-	437,966
237,722	-	237,722
16,586	-	16,586
28,586	20,255	48,841
60,548	14,128	74,676
781,408	34,383	815,791
81,401	(23,224)	58,177
1,485,122	2,254,240	3,739,362
\$ 1,566,523	\$ 2,231,016	\$ 3,797,539

**SILVER CREEK TOWNSHIP
GOVERNMENTAL FUNDS**

**Balance Sheet
March 31, 2006**

	General Fund	Liquor Fund	Housing Rehabilitation Fund
ASSETS			
Current Assets			
Cash	\$ 794,628	\$ 4,642	\$ -
Receivables			
Taxes	15,189	-	-
Due from other funds	10,472	-	-
Due from other governments	17,309	-	-
Other	9,353	-	39,159
Prepaid expenses	-	-	-
Total Current Assets	<u>846,951</u>	<u>4,642</u>	<u>39,159</u>
TOTAL ASSETS	<u><u>846,951</u></u>	<u><u>4,642</u></u>	<u><u>39,159</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable	2,964	5,943	-
Due to other funds	-	6,363	-
Deferred revenue	4,538	-	-
Total Current Liabilities	<u>7,502</u>	<u>12,306</u>	<u>-</u>
TOTAL LIABILITIES	<u>7,502</u>	<u>12,306</u>	<u>-</u>
FUND BALANCES			
Unreserved	<u>839,449</u>	<u>(7,664)</u>	<u>39,159</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u><u>\$ 846,951</u></u>	<u><u>\$ 4,642</u></u>	<u><u>\$ 39,159</u></u>

The accompanying notes are an integral part of these financial statements.

Building Department Fund	Parks and Recreation Fund	Fire and Ambulance Fund	Public Improvement Fund	Total
\$ 35,693	\$ 6,028	\$ 171,524	\$ 219,461	\$ 1,231,976
-	-	19,323	-	34,512
-	-	-	-	10,472
-	-	-	-	17,309
-	-	-	-	48,512
-	-	-	-	-
35,693	6,028	190,847	219,461	1,342,781
35,693	6,028	190,847	219,461	1,342,781
4,115	-	-	-	13,022
-	-	3,787	-	10,150
-	-	-	-	4,538
4,115	-	3,787	-	27,710
4,115	-	3,787	-	27,710
31,578	6,028	187,060	219,461	1,315,071
\$ 35,693	\$ 6,028	\$ 190,847	\$ 219,461	\$ 1,342,781

SILVER CREEK TOWNSHIP
GOVERNMENTAL FUNDS
Statements of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended March 31, 2006

	General Fund	Liquor Fund	Housing Rehabilitation Fund
REVENUES:			
Taxes	\$ 195,826	\$ -	\$ -
State grants	235,797	1,925	-
Permits	-	-	-
Interest	21,376	1	-
Other	78,191	-	-
TOTAL REVENUES	<u>531,190</u>	<u>1,926</u>	<u>-</u>
EXPENDITURES			
Current			
General government	246,690	-	-
Public safety	-	34,214	-
Public works	170,642	-	-
Planning commission and zoning	10,076	-	-
Capital outlay	2,511	19,693	-
TOTAL EXPENDITURES	<u>429,919</u>	<u>53,907</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	101,271	(51,981)	-
OTHER FINANCING SOURCES AND (USES)			
Operating transfers	<u>(277,293)</u>	<u>47,390</u>	<u>-</u>
Net Change in Fund Balances	(176,022)	(4,591)	-
FUND BALANCE, beginning of year	<u>1,015,471</u>	<u>(3,073)</u>	<u>39,159</u>
FUND BALANCE, end of year	<u><u>\$ 839,449</u></u>	<u><u>\$ (7,664)</u></u>	<u><u>\$ 39,159</u></u>

The accompanying notes are an integral part of these financial statements.

Building Department Fund	Parks and Recreation Fund	Fire and Ambulance Fund	Public Improvement Fund	Total
\$ -	\$ -	\$ 242,140	\$ -	\$ 437,966
-	-	-	-	237,722
62,371				62,371
39	26	3,492	3,652	28,586
868	-	-	-	79,059
63,278	26	245,632	3,652	845,704
-	-	-	-	246,690
67,897	-	210,456	-	312,567
-	-	-	11,094	181,736
-	-	-	-	10,076
-	-	-	-	22,204
67,897	-	210,456	11,094	773,273
(4,619)	26	35,176	(7,442)	72,431
-	3,000	-	226,903	-
(4,619)	3,026	35,176	219,461	72,431
36,197	3,002	151,884	-	1,242,640
\$ 31,578	\$ 6,028	\$ 187,060	\$ 219,461	\$ 1,315,071

**SILVER CREEK TOWNSHIP
GOVERNMENTAL FUNDS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006**

Net Change in Fund Balances - Total Government Funds	\$ 72,431
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	<u>8,970</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 81,401</u></u>

The accompanying notes are an integral part of these financial statements.

**SILVER CREEK TOWNSHIP
FIDUCIARY FUNDS
Statement of Fiduciary Assets and Liabilities
March 31, 2006**

ASSETS
Cash

\$ 43,883

LIABILITIES

Due to other governmental units

\$ 43,883

The accompanying notes are an integral part of these financial statements.

SILVER CREEK TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The accounting methods and procedures adopted by Silver Creek Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant governmental accounting policies are described below:

1. The Reporting Entity

The Township has adopted the position of the Governmental Accounting Standards Board regarding the definition of "reporting entity". The basic criteria for including a governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over the governmental organization unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

There are no entities over which the Township exercises oversight responsibility.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

3 Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

SILVER CREEK TOWNSHIP
Notes to Financial Statements
March 31, 2006

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Silver Creek Township reports the following major governmental funds:

The **General Fund** is the Townships primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Liquor Fund** is used to account for the Township's liquor and other ordinance enforcement activities.

The **Building Department Fund** is used to account for various permit revenues and associated expenses.

The **Fire and Ambulance Fund** is used to account for fire and ambulance services.

Silver Creek Township reports the following major proprietary fund:

The **Sewer Fund** is used to account for the activities related to the Township's sanitary collection system and waste water treatment.

Additionally, Silver Creek Township reports the following fund type:

The **Agency Funds** are used to collect and distribute State of Michigan, Cass County, Southwestern Michigan College, Dowagiac District Library, Dowagiac Public schools, and Cass County Intermediate School District property tax monies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

SILVER CREEK TOWNSHIP
Notes to Financial Statements
March 31, 2006

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expense for proprietary funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. Unrestricted resources are used as they are needed.

4. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

The Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan requires that all governmental fund types annually adopt balanced budgets and the modified accrual basis of accounting.

Budgets for the governmental fund types are adopted on the modified accrual basis. This is consistent with generally accepted accounting principles.

During February, the Township clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the Township Board to obtain taxpayers' comments.

Prior to the first meeting in April, the budget is legally enacted through passage of a resolution.

5. Property and Equipment

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Silver Creek Township as assets with individual cost of more than \$500 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful lives of the fixed assets.

SILVER CREEK TOWNSHIP
Notes to Financial Statements
March 31, 2006

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	40 years
Equipment	5 – 10 years
Vehicles	5 – 15 years
Utility Systems	40 years

6. Revenue Recognition - Property Taxes

The Township acts as a property tax filing and collection agent for the Township, the Dowagiac and Eau Claire School Districts, the Dowagiac District Library, and Berrien and Cass Counties. These taxes are billed on December 1 and are due without penalty on June 30 and September 15. The School Districts, the Counties, and the Township are paid weekly their proportionate share as taxes are received.

The Township's uncollected property taxes are recorded as assets in the General Fund of the Township. Property taxes that are not collected within sixty days of the end of the fiscal year are treated as deferred revenue.

NOTE B - CASH AND INVESTMENTS

Cash-

Silver Creek Township's policy is to invest excess cash in certificates of deposit and savings accounts with an area bank. The carrying amount of deposits are displayed on the balance sheets as "Cash". At year end, the carrying amount of the Township's deposits was \$1,819,714 and the bank balance was \$1,821,627. Of the bank balance, \$500,000 was insured by the Federal Deposit Insurance Corp. (FDIC) insurance program, the remaining \$1,321,627 of deposits are uninsured.

Investments-

State statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; repurchase agreements, collateralized by U.S. Government securities; banker's acceptance; and mutual funds. Not more than 50% of any fund may be invested in commercial paper.

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

SILVER CREEK TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE C - ACCOUNT WITH CASS COUNTY ROAD COMMISSION

The Cass County Road Commission does substantially all road improvements for Silver Creek Township. The funding of such projects is provided by Township and County residents. All disbursements to the Road Commission by the Township are included in the general purpose financial statements as an expenditure at the time of disbursement. Accordingly, a portion of the disbursement may represent an advance of road improvement funds before such project is begun or completed by the Road Commission.

NOTE D - GENERAL FIXED ASSETS ACCOUNT GROUP

The following is a summary of changes in the general fixed assets account group.

	April 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	March 31, <u>2006</u>
Buildings	\$ 168,361	-	-	\$ 168,361
Office equipment	51,546	2,511	-	54,057
Police equipment	4,545	-	-	4,545
Vehicles	20,677	19,693	-	40,370
	<u>\$ 245,129</u>	<u>\$ 22,204</u>	<u>-</u>	<u>\$ 267,333</u>

NOTE E - INTERFUND PAYABLES AND RECEIVABLES

Interfund balances at March 31, 2006 consisted of the following individual receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 10,472	-
Special Revenue Funds:		
Liquor Fund	-	\$ 6,363
Fire and Ambulance Fund	-	3,787
Construction Fund	-	-
Enterprise Funds:		
Sewer Fund	-	322
Dewey Lake Weed Harvester	-	-
	<u>\$ 10,472</u>	<u>\$ 10,472</u>

SILVER CREEK TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE F - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The following enterprise funds have been created to provide various services to the public.

Sewer Fund - established to account for the operation of the Indian Lake Waste Water System.

Dewey Lake Weed Harvester - established to account for the Dewey Lake weed harvesting program.

Combined segment information for these Enterprise Funds is summarized below for the year ended March 31, 2006:

Operating revenues	\$ 118,004
Depreciation	62,887
Operating income (loss)	(43,480)
Operating grants	-
Operating interfund transfers	-
Tax revenue	-
Net income (loss)	(23,225)
Current capital contributions	-
Property, plant, and equipment:	
Additions	-
Dispositions	-
Net working capital	543,211
Total assets	2,231,016
Bonds and other long-term liabilities	
payable from operating revenues	-
Total equity	2,231,016

NOTE G - RISK MANAGEMENT AND LITIGATION

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. This year, as in past years, the Township has effectively managed risk through the purchase of commercial insurance policies.

The Township Attorney estimates that the amount of actual or potential claims against the Township as of March 31, 2006 will not materially affect the financial condition of the Township. Therefore, the General Fund contains no provision for, and the General Long-Term Debt Account Group does not present, estimated claims.

**SILVER CREEK TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended March 31, 2006**

	Original/Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 180,200	\$ 195,826	\$ 15,626
State grants	220,000	235,797	15,797
Permits		-	
Interest	16,000	21,376	5,376
Other	75,466	78,191	2,725
TOTAL REVENUES	491,666	531,190	39,524
EXPENDITURES			
Current			
General government	262,221	246,690	15,531
Public safety	-	-	-
Public works	170,742	170,642	100
Planning commission and zoning	10,600	10,076	524
Capital outlay	2,600	2,511	89
TOTAL EXPENDITURES	446,163	429,919	16,244
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	45,503	101,271	55,768
OTHER FINANCING SOURCES AND (USES)			
Operating transfers	(271,903)	(277,293)	(5,390)
Net Changes in Fund Balance	(226,400)	(176,022)	50,378
FUND BALANCE, beginning of year	1,015,471	1,015,471	-
FUND BALANCE, end of year	\$ 789,071	\$ 839,449	\$ 50,378

The accompanying notes are an integral part of these financial statements.

SILVER CREEK TOWNSHIP
 PROPRIETARY FUND
 Statement of Revenues, Expenses, and Changes in Net Assets
 For the Year Ended March 31, 2006

	<u>Sewer Fund</u>
OPERATING REVENUE:	
Charges and fees	<u>\$ 118,004</u>
OPERATING EXPENSES:	
Billing and monitoring service	50,990
Sewer disposal service	20,551
Miscellaneous	98
Electric	3,042
Telephone	2,750
Clerical	1,404
Legal	-
Labor	1,325
Repair	13,136
Supplies and postage	1,952
Audit	1,000
Insurance	2,000
Contractor services	-
Maintenance	-
Fuel	-
Payroll taxes	349
Depreciation	<u>62,887</u>
Total operating expenses	<u>161,484</u>
Operating income (loss)	(43,480)
NONOPERATING REVENUES/EXPENSES:	
Gain on disposal of net assets	-
Investment income	20,255
Interest expense	<u>-</u>
Net income	(23,225)
Retained earnings - beginning of year	<u>2,254,240</u>
Retained earnings - end of year	<u><u>\$ 2,231,015</u></u>

The accompanying notes are an integral part of these financial statements.

SILVER CREEK TOWNSHIP
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
MARCH 31, 2006

	Liquor Fund	Housing Rehabilitation Fund	Building Department Fund
ASSETS			
Cash	\$ 4,642	\$ -	\$ 35,693
Receivables			
Taxes	-	-	-
Deferred loans receivable	-	39,159	-
TOTAL ASSETS	<u>4,642</u>	<u>39,159</u>	<u>35,693</u>
LIABILITIES			
Accounts payable	5,943	-	4,115
Due to other funds	6,363	-	-
TOTAL LIABILITIES	12,306	-	4,115
FUND EQUITIES			
Fund balance - unreserved, undesignated	(7,664)	39,159	31,578
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 4,642</u>	<u>\$ 39,159</u>	<u>\$ 35,693</u>

The accompanying notes are an integral part of these financial statements.

Fire and Ambulance Fund	Total
\$ 171,524	\$ 211,859
19,323	19,323
-	39,159
<u>190,847</u>	<u>270,341</u>
-	10,058
<u>3,787</u>	<u>10,150</u>
3,787	20,208
<u>187,060</u>	<u>250,133</u>
<u>\$ 190,847</u>	<u>\$ 270,341</u>

SILVER CREEK TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
MARCH 31, 2006

	Liquor Fund	Housing Rehabilitation Fund	Building Department Fund
REVENUES:			
Taxes	\$ -	\$ -	\$ -
State grants	1,925	-	-
Building related permits	-	-	62,371
Interest	1	-	39
Other	-	-	868
	<u>-</u>	<u>-</u>	<u>868</u>
TOTAL REVENUES	<u>1,926</u>	<u>-</u>	<u>63,278</u>
EXPENDITURES:			
Public safety	34,214	-	-
Inspections	-	-	67,897
Capital outlay	19,693	-	-
Grants and administration	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>53,907</u>	<u>-</u>	<u>67,897</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(51,981)	-	(4,619)
OTHER FINANCING SOURCES (USES)			
Operating transfers	47,390	-	-
	<u>47,390</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(4,591)	-	(4,619)
FUND BALANCE, beginning of year	<u>(3,073)</u>	<u>39,159</u>	<u>36,197</u>
FUND BALANCE, end of year	<u>\$ (7,664)</u>	<u>\$ 39,159</u>	<u>\$ 31,578</u>

The accompanying notes are an integral part of these financial statements.

Fire and Ambulance Fund	Total
\$ 242,140	\$ 242,140
-	1,925
-	62,371
3,492	3,532
-	868
<u>245,632</u>	<u>310,836</u>
210,456	244,670
-	67,897
-	19,693
-	-
<u>210,456</u>	<u>332,260</u>
35,176	(21,424)
-	47,390
35,176	25,966
<u>151,884</u>	<u>224,167</u>
<u>\$ 187,060</u>	<u>\$ 250,133</u>